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Northwest Requirements Utilities

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Transmitted Electronically
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CRT Review (DKE)
P.O. Box 14428
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U.S. Entity Coordinators, Columbia River Treaty:

Mr. Stephen Oliver
Bonneville Power Administration

Mr. David Ponganis
U.S. Army Corps of Engineers, Northwestern Division

Gentlemen,

The following is a response from Northwest Requirements Utilities (NRU) regarding your January 16, 2013 letter to stakeholders about the future of the Columbia River Treaty. NRU is a non-profit trade association of 52 public power systems that rely upon BPA as their primary or exclusive supplier of wholesale electric energy. NRU members are located in 7 states that are part of the BPA footprint. These utilities account for nearly 25% of BPA's wholesale public power sales in the Northwest.

NRU members have all signed long term power sales contracts with BPA extending through 2028 which work in conjunction with a tiered rates methodology. As a framework of these contracts, utilities are responsible for paying their proportionate share of the costs of BPA's Tier 1 embedded resources, and in return receive a percentage share of the output at cost. The Tier 1 resources consist mainly of the FCRPS hydroelectric system, nearly 90% and the Energy Northwest nuclear plant, about 10%. Given the predominance of hydro as BPA's fuel supply for firm energy and peak capacity, the members of NRU have a keen interest in the future of the Columbia River Treaty because of its impact on power generation at downstream projects and the related financial value of power deliveries to Canada.

With overall economic conditions in the Northwest, we are very concerned about the cost of these Tier 1 resources and want to ensure that their economic value is maximized, while adhering to other statutory obligations. The current provisions of the Columbia River Treaty are incongruent with an equitable sharing of benefit between the United States and Canada and result in a disproportionate adverse financial impact on BPA customers.

NRU has actively participated in the Columbia River Treaty Power Group, and is a co-signer of the Group's letter to you regarding this topic. We appreciate the work of the Power Group because it is a forum in which customers and other interested aligned parties can work collectively to gather and analyze information beyond what the NRU members could do on their own. We fully support the "Guiding Principles" contained in the Power Group's letter.

Based on our evaluation of the analysis that the Corps and BPA has shared to date, NRU concludes that the remaining benefit for downstream power generation is minimal while the costs imposed under the Treaty protocols is high. In other words, maintaining the current Treaty protocols longer than is necessary does not make economic sense and is at cross purposes with BPA's responsibility to operate using sound business principles.

As the United States engages in an evaluation of whether to continue or terminate the Columbia River Treaty with Canada, we believe the U.S. Entity Coordinators should be guided by the following principles (in priority order as stated by the Power Group). If these principles cannot be met, then the U.S. has no other option but to provide notification of termination by 2014.

"Any payment made to Canada for downstream power benefits should not exceed one-half of the actual incremental power benefit achieved through a coordinated US/Canada operation as compared to a non-coordinated operation."

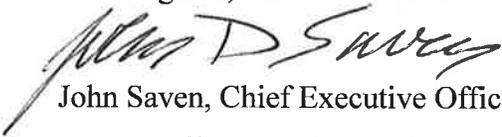
"Consistent with the flood control funding approach employed throughout the United States, any payments for Columbia River flood control should be the responsibility of the taxpayers of the United States."

"Each of the entities providing the Canadian Entitlement return already have robust environmental mitigation plans embedded in their project authorizations and developed in legal forums. Along with the cost of the Entitlement return, this mitigation is funded by utility customers. Therefore, an equitable correction to the Entitlement should not lead to an increased mitigation requirement."

NRU appreciates all of the staff time BPA and the Corps of Engineers have dedicated to this important topic. We understand that the issues are complex, that there are many interested stakeholders, and the processes that may need to be followed in resolving matters between two nations poses its own set of challenges. Yet regardless of these obstacles, there is a compelling case to address and resolve the matter.

Thank you for the opportunity to comment. If you have any questions regarding our comments, please let me know.

Best Regards,



John Saven, Chief Executive Officer

CC: Jeff Smith, Chelan County PUD
Members of NRU